Calendar No. 1429

84TH CONGRESS, 2d Session | SENATE | REPORT No. 1409

DURUM WHEAT ALLOTMENTS

JANUARY 20 (legislative day, JANUARY 16), 1956.—Ordered to be printed

Mr. YOUNG, from the Committee on Agriculture and Forestry, submitted the following

REPORT

[To accompany S.2884]

The Committee on Agriculture and Forestry, to whom was referred the bill (S. 2884) to amend the wheat marketing quota provisions of the Agricultural Adjustment Act of 1938, as amended, having considered the same, report thereon with a recommendation that it do pass with amendments.

This bill would extend to the 1956 crop the increased durum wheat acreage allotment provisions of section 334 (e) of the Agricultural Adjustment Act of 1938, with the following modifications:

(1) Its applicability would be extended to certain counties in California;

(2) The production history used in determining eligible counties would be shortened from 10 to 5 years and advanced 1 year to include 1955; and

(3) The increased durum allotment would be dependent upon reduced planting of other wheat (producers would be permitted to plant three acres of durum wheat for each acre of their existing allotment not planted to wheat other than durum wheat).

Extension of section 334 (e) to certain counties in California is recommended because these counties have demonstrated their ability to produce good durum wheat since section 334 (e) was last amended. Reduction of the production history to a 5-year period would make no change in substance.

The limitation upon the amount of increased acreage provided by the bill is recommended because the shortage of durum wheat is not nearly so critical as at the time of enactment of section 334 (e), whereas the surplus of other wheat is more serious than it then was.

It should be pointed out that the increase in any wheat acreage allotment under section 334 (e), as it would be amended by the bill, is conditioned upon the production of durum wheat on all of the increased acreage. The bill would not permit any increase in acreage

for any type of wheat other than durum. For the purpose of computing the increased acreage allotment for any farm under the bill, the bill provides that the original allotment of the farm shall be not less than 15 acres; but, for the purpose of determining whether the "increased acreage" was planted to class II durum, the increase would be computed on the basis of the actual allotment established without regard to the provisions of the bill. Thus, a producer with an acreage allotment of 10 acres would be permitted under the bill to plant 10 acres of hard spring wheat and 15 acres of class II durum; but if he should plant any acreage of hard spring wheat in excess of 10 acres he would be in violation of his acreage allotment and would not be eligible for price support. If under such circumstances his total planted acreage exceeded 15 acres, he would be subject to marketing penalties. In order to avoid possible misconstruction of the bill in this respect, your committee recommends insertion at the proper place of the following language:

Notwithstanding any other provision of this subsection, no acreage allotment shall be increased under this subsection for any farm on which the producer knowingly devotes to the production of other wheat an acreage in excess of the acreage allotment established without regard to this subsection (and particularly without regard to clause (1) of the foregoing proviso).

The other committee amendments are formal only and make no change in substance.

DEPARTMENTAL VIEWS

DEPARTMENT OF AGRICULTURE,
Washington 25, D. C., January 17, 1956.

Hon. ALLEN J. ELLENDER,
Chairman, Committee on Agriculture and Forestry,
United States Senate.

DEAR SENATOR ELLENDER: This is in reply to your request for a report on S. 2764, S. 2884, and S. 2885, to amend the wheat marketing quota provisions of the Agricultural Adjustment Act of 1938, as amended.

The Department does not recommend the enactment of S. 2764 and S. 2885, which are identical bills.

The principal reason that we do not want to recommend these two bills is they would permit unlimited production of durum wheat (class II) and at the same time would enable wheat producers in this area to plant their full allotment to other classes of wheat which are in surplus supply. Since the market price of durum wheat (class II) is very little above the price of other spring wheat, it is feared that unlimited production would result in an oversupply and further depress the price at harvesttime.

The Department believes S. 2884 more nearly meets the aims of producers affected and also would assist the Department in reducing the acreage of other classes of wheat. This falls in line with the President's recent message, which suggests the reduction as rapidly as possible of our surplus wheat, and at the same time provides for a reasonable increase in durum wheat (class II) which is in short supply.

Under S. 2884 farmers would be permitted in areas capable of producing durum wheat (class II) from which acceptable semolina may be produced for the production of satisfactory macaroni products, to grow such class of wheat in excess of their present wheat allotment to the extent that for each acre they do not plant to hard spring wheat, other than durum wheat (class II), they will be permitted to plant 3 acres of durum wheat (class II). In addition, farms in this area with wheat allotments of 15 acres or less, will be considered as having an allotment of 15 acres for the purpose of determining the acreage which they may plant to durum wheat (class II). An additional restriction was placed in this bill (which was not in the 1955 durum law) which excludes "Golden Ball" and "Peliss" varieties as durum wheat (class II). These two varieties are not satisfactory for the production of macaroni products and should not qualify as durum wheat (class II) under the program. These varieties are now discounted for the purpose of price support.

S. 2884 would apply to the 1956 crop only. Although the durum problem may continue for 2 or 3 years, it is felt that the situation must be reexamined before continuing this type of legislation beyond 1956. It is further felt that with the seed situation in rather good supply, little difficulty should be experienced in obtaining a sufficient supply of durum wheat (class II) under the provisions of this bill.

This bill would result in a slight increase in administrative costs which could be absorbed within existing funds.

The provisions of S. 2884 would be subject to amendment to the extent that they would be affected by enactment of the soil-bank program proposed by the Department. We believe enactment of general legislation, to carry out the President's farm message, would be preferable to enactment of separate durum wheat legislation such as S. 2884.

Representatives of this Department will be available to assist in any way in the consideration by the Congress of such legislation.

The Bureau of the Budget advises that there is no objection to the submission of this report.

Sincerely yours,

TRUE D. MORSE,
Acting Secretary.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

AGRICULTURAL ADJUSTMENT ACT OF 1938, AS AMENDED

SEC. 334. * * *

* * * * * * *

(e) Notwithstanding any other provision of this Act, the Secretary shall increase the farm marketing quotas and acreage allotments for the [1955] *1956* crop of wheat for farms located in counties in the States of *North Dakota*, Minnesota, Montana, [North Dakota, and] South Dakota, *and California*, designated by the Secretary as counties which (1) are capable of producing [class II] durum wheat (*class II*) and (2) have produced such wheat for commercial food products during one or more of the [ten years 1945 through 1954; *Provided*, That the increase in the wheat acreage allotment for any farm shall not exceed the difference between the acreage of cropland on the farm suitable for the production of wheat and the wheat acreage allotment, if any, determined without regard to this subsection, and the increase in allotment shall be conditioned upon the production thereon of class II durum wheat. The increase] *five years 1951 through 1955. The increase in the wheat acreage allotment for any farm shall be conditioned upon the production of durum wheat (class II) on such increased acreage. The increased allotment shall be determined by adding to the allotment established without regard to this subsection (hereinafter referred to as the "original allotment") an acreage equal to two times the acreage by which the original allotment exceeds the 1956 acreage on the farm of classes of wheat other than durum wheat (class II) (hereinafter referred to as "other wheat"), but such increased allotment shall not exceed the smaller of the cropland on the farm well suited to wheat or the wheat acreage on the farm: Provided, That for the purposes of this subsection (1) the original allotment for each farm shall be not less than fifteen acres, and (2) varieties of class II (durum wheat) known as "Golden Ball" and "Peliss" shall be regarded as "other wheat". Notwithstanding any other provision of this subsection, no acreage allotment shall be increased under this subsection for any farm on which the producer knowingly devotes to the production of other wheat an acreage in excess of the acrecge allotment established without regard to this subsection (and particularly without regard to clause (1) of the foregoing proviso).*

The increases in wheat acreage allotments authorized by this subsection shall be in addition to the National, State, and county wheat acreage allotments, and

the acreage of [class II durum wheat thereon] *durum wheat (class II) on such increased allotments* shall not be considered in establishing future State, county, and farm acreage allotments.

The provisions of paragraph (6) of Public Law 74, Seventy-seventh Congress (7 U. S. C. 1340 (6)), and section 326 (b) of this Act relating to the reduction of the storage amount of wheat shall apply to the allotment for the farm established without regard to this subsection and not to the increased allotment under this subsection.

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84TH CONGRESS
2d Session

SENATE

REPORT
No. 1410

FOREIGN OPERATIONS ADMINISTRATION GRAIN STORAGE ELEVATORS IN PAKISTAN

REPORT

OF THE

COMMITTEE ON GOVERNMENT OPERATIONS

MADE BY ITS

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

TOGETHER WITH INDIVIDUAL VIEWS OF MR. BENDER

JANUARY 23 (legislative day, JANUARY 16), 1956.—Ordered to be printed

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84TH CONGRESS } SENATE { REPORT
2d Session } { No. 1410

FOREIGN OPERATIONS ADMINISTRATION GRAIN STORAGE ELEVATORS IN PAKISTAN

JANUARY 23 (legislative day, JANUARY 16), 1956.—Ordered to be printed

Mr. MCCLELLAN, from the Committee on Government Operations, submitted the following

REPORT

MADE BY ITS PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

INTRODUCTION

This investigation was predicated upon a letter addressed to Senator John L. McClellan, chairman of the Senate Permanent Subcommittee on Investigations, from Senator Stuart Symington, of Missouri, under date of January 11, 1955. Senator Symington requested that the subcommittee investigate the negotiations then being carried on under the sponsorship of the Foreign Operations Administration for the construction of grain-storage facilities in Pakistan. He stated he had been informed by Director Harold E. Stassen, of the Foreign Operations Administration, that FOA was negotiating with the Agricultural Construction Co., of Los Angeles, for the erection of certain grain-storage elevators in Pakistan.

Senator Symington pointed out in the letter that invitations to bid were sent out for the construction of these grain elevators and that the Columbian Steel Tank Co., of Kansas City, Mo.[1] submitted the low bid of $1,448,917.40 and he was requesting the investigation in view of the expressed intention of FOA to negotiate with the Agricultural Construction Co., of Los Angeles, Calif., who was the high bidder in the competition with a bid of $2,430,979.56, a figure which exceeded the low bid by the sum of $982,062.16.

Senator McClellan initiated an investigation by the staff of the subcommittee to ascertain why the Foreign Operations Administration decided to negotiate a contract for the construction of these grain elevators in Pakistan with the Agricultural Construction Co., of Los Angeles, the apparent high bidder, and to determine whether there was any wrongdoing involved in this transaction, and whether Mr. Stassen

NOTE.—All numbers and footnotes refer to page references in hearings entitled, "FOA Grain Storage Elevators in Pakistan" unless otherwise indicated.

[1] Other competing bidders were the John A. Marshall Co., New Orleans, La.; Black, Sivalls & Bryson, Kansas City, Mo.; and the Butler International Co., Kansas City, Mo.

and the FOA were acting in the best interests of the United States Government and the American taxpayers. (Senator Karl E. Mundt disagrees with the use of the terms "high bidder" and "low bidder" throughout this report and disassociates himself from any comparisons and criticisms stemming from attempts to compare the bid figures since he feels the hearings brought out clearly that these were "design bids" rather than bids based on prescribed specifications. Thus, bidders were submitting prices on different sets of specifications, and Senator Mundt holds that price comparisons under these circumstances are not accurate. Conflicting testimony was received as to exactly what type of bid FOA intended. FOA deserves criticism for not spelling out more accurately its intent and the specifications on which it was to accept bids, but not for ignoring or rejecting the low bidder under circumstances where bidders were not competing against each other on the same specifications or materials.)

ATTEMPTS BY FOA TO IMPEDE THE INVESTIGATION

The initial step in the investigation was a request made by Senator McClellan, chairman of the subcommittee, of Mr. Harold E. Stassen, Director of the Foreign Operations Administration, by letter dated January 21, 1955, to make available to the investigative staff of the subcommittee all the files of FOA [2] relating to this project.

Not receiving a response or even an acknowledgement of his letter, Senator McClellan again wrote to Director Stassen on February 4, 1955, repeating his request. On February 11, 1955, Mr. Stassen by letter acknowledged these requests made by the chairman and furnished to the subcommittee copies of a limited number of FOA documents.

On receipt of this material, Senator McClellan, by letter of February 16, 1955, for the third time requested that all the material in FOA's files relating to the Pakistan grain-storage program be furnished to the subcommittee, stating, "even a cursory examination reflects that the complete file on this matter has not been transmitted to us." To this latter request, Mr. Stassen replied on February 19, 1955, advising that the additional material in FOA's files would be made available for review.

As a result of this correspondence, arrangements were made for a member of the investigative staff of the subcommittee to review the additional material in the FOA's files in the office of Mr. Leonard J. Saccio, Deputy General Counsel of the Foreign Operations Administration.

After a review of this additional material, a request was made for copies of a number of the documents which the review showed would be necessary for the subcommittee. This request was denied by Leonard J. Saccio, Deputy General Counsel for FOA, upon instructions of Mr. Stassen.[3] As a result, a large portion of 3 weeks' time was taken by a subcommittee investigator in copying in longhand the pertinent documents from FOA's files.[4]

Also requested was a copy of the application blank (form 57) executed by Robert H. Pinner, grain-storage engineer of the Ralph M. Parsons Co., who was under contract to FOA in an advisory capacity in Pakistan. This was also denied for the same reason.

[2] FOA means Foreign Operations Administration.
[3] Pt. 1, pp. 9, 10.
[4] Pt. 1, p. 38.

To develop further the facts in this case it was necessary to conduct interviews with those officials in the FOA who were most familiar with this project. A request was therefore made for the names of the officials who had served as project managers on the Pakistan grain-storage matter in the Washington headquarters of FOA. This request was likewise denied by Mr. Saccio on orders of Director Stassen.

Information was developed by the staff that Mr. Howard P. Morrison had been one of the project managers at FOA. Accordingly, the Office of the General Counsel of FOA was requested on March 29, 1955, to have Mr. Howard P. Morrison appear for an interview at the office of the Investigating Subcommittee on March 30, 1955. The subcommittee had learned that Mr. Morrison had opposed the award being given to the Agricultural Construction Co., and the subcommittee staff wished to learn the basis for his taking a position contrary to that taken later by Mr. Stassen. Subsequent testimony of Mr. Morrison revealed that he was never advised by his superiors of this request for his presence.[5]

On the following day Mr. Christian Herter, the General Counsel of FOA, telephonically notified the Investigating Subcommittee that Mr. Morrison would not be permitted to appear for interview.[6] In view of this unusual action by FOA which would make a proper investigation impossible, a subpena for Mr. Morrison's appearance on March 31, 1955, was issued. At the same time subpenas were also issued for Mr. Virgil C. Pettit and Mr. Wessels Middaugh, both of FOA, who were known to have firsthand knowledge of the project.[7] A subpena which was issued for Dr. D. A. FitzGerald, Deputy Director for FOA, was withdrawn after he assured the chairman that he would appear for interview at any time he was requested.

The three officials appeared in answer to the subpenas. However, they were accompanied by Mr. Leonard J. Saccio, Deputy General Counsel of FOA, who stated he had orders from Director Stassen that they were not to be interviewed by any member of the staff of the subcommittee.[8] After communicating telephonically with his office, Mr. Saccio subsequently advised that these men could be interviewed by Mr. Robert F. Kennedy, chief counsel of the subcommittee, but only if he, Saccio, were present as a representative of Mr. Stassen and the FOA.[9] Mr. Kennedy explained that, since the investigation involved a decision made by Mr. Stassen himself, his personal representative would not be permitted to be present at the interrogation.

As a result of the position taken by the FOA, Senator John L. McClellan, chairman, called the subcommittee into an immediate open hearing.

Mr. Saccio was called as a witness to explain this policy of Mr. Stassen. He stated that Director Stassen felt that the men in his agency should not be interviewed without Mr. Stassen or one of his deputies being present. Saccio testified that Mr. Stassen felt "the operating men in the agency should not be put in a position where their future usefulness to the agency will be impaired" and that Congress should receive explanations of what had been done in his agency only from him or his senior deputies.[10]

The impact on the Investigating Subcommittee of the unusual stand taken by Mr. Stassen is expressed in the words of Senator Ervin:

[5] Pt. 1, p. 3.
[6] Pt. 1, p. 10.
[7] Pt. 1, p. 1.
[8] Pt. 1, pp. 8, 10.
[9] Pt. 1, pp. 8, 10.
[10] Pt. 1, pp. 4, 8.

"Upon what meat doth this our Caesar feed, That he is grown so great?" [11] and by the statement of the chairman:

> I regret, if this is cooperation, that I have never known what it was before. We are going into this case and now I am going into it to the very bottom. I have had no preconceived ideas of the merits of it either way. But if it is the attitude of your department, of your agency and its chief, and you, to force this committee to do things the hard way without decent cooperation, this committee is going to do it the hard way.
>
> I regret that has become necessary. We are going to do it the hard way. You are making it cost the taxpayers more money because we have to bring you up here from your job, whereas you could come in a little while with conferences and let the witnesses tell what they know and you would save a lot of time, and you would save this committee a lot of labor.
>
> You would be able to be at your place down there running your agency instead of being up here in a committee room waiting to testify.
>
> I just can't conceive that an agency of the Government would do this where there is no question of internal security involved in any way whatsoever. There is nothing involved here except spending the money that has been taken from the taxpayers of this country and here is an agency that takes this position.
>
> It has not cooperated. We are just compelled, as I see it, gentlemen, to do it the hard way.[12]

The chairman thereupon ordered Messrs. Morrison, Pettit, and Middaugh to return the following morning for interviews with the staff of the subcommittee, and the subcommittee voted to subpena Director Stassen and all the documents in the files of FOA relating to the Pakistan grain-storage project.[13]

Messrs. Morrison, Pettit, and Middaugh appeared the following morning with private counsel, as is provided for by the rules of the subcommittee, and were thereupon interviewed without the presence of a representative of FOA.

On March 31, 1955, a subpena duces tecum was served on Mr. Harold E. Stassen, Director of FOA, instructing him to appear before the subcommittee and produce all FOA records in connection with the Pakistan grain-storage project.

Mr. Stassen appeared before the subcommittee in response to this subpena on Wednesday, April 6, 1955. Chairman McClellan questioned him regarding certain specific documents and information from the FOA files, copies of which had previously been denied to the subcommittee staff, and which documents and information had an important bearing on the Pakistan grain-storage project. These documents totaled 21 in number.

In his appearance before the subcommittee, Mr. Stassen reversed his previous stand and promised to furnish immediately most of the documents desired. Relative to the remaining documents, he testified he wished to review them personally and if there was no confidential or classified material therein, these remaining documents would also be furnished to the subcommittee. Subsequently, copies of all those documents originally requested, and again requested of Mr. Stassen in the hearing, were furnished to the subcommittee with the exception of two documents which Senator McClellan reviewed and agreed should not be made part of the record.[14]

Also furnished this subcommittee by Mr. Stassen, under date of April 6, 1955, were the names of the four different project managers assigned to the Pakistan grain project in the Washington headquarters

[11] Pt. 1, p. 14.
[12] Pt. 1, p. 13.
[13] Pt. 1, p. 12.
[14] Pt. 1, pp. 44–54.

of FOA, which information had previously been refused.[15] Since this information was originally requested early in March 1955, there was a delay to the subcommittee of at least 1 month.

BACKGROUND INFORMATION ON GRAIN ELEVATOR PROJECT

In connection with the functions of the Foreign Operations Administration in furnishing technical and economic assistance to the Government of Pakistan, the FOA conducted a survey of the agricultural economy of this country. Mr. W. G. Lodwick, a United States agriculturist on loan as an agricultural adviser to the Pakistan Government, together with the agricultural experts assigned to the FOA mission in Karachi, Pakistan, agreed that lack of grain storage facilities was a major problem in Pakistan.

In order to get a grain storage program underway, it was decided by the FOA mission, in cooperation with the Pakistan Government to build 3 10,000-ton grain elevators. These were to be used as pilot plants for the storage of wheat and rice and to train Pakistan personnel in the operation of modern grain storage facilities. A formal agreement between the FOA mission and the Pakistan Government to construct 3 10,000-ton grain elevators was entered into on April 29, 1954. The FOA mission allocated $1,485,000 in United States funds for the building of these elevators.

The Ralph M. Parsons Co., a firm of consulting engineers, with headquarters in Los Angeles, Calif., was under contract with FOA to furnish consulting engineers in various fields to the FOA mission in Karachi, Pakistan. Accordingly, FOA, when the need for a grain storage engineer became apparent, so notified the Ralph M. Parsons Co. This company then hired Mr. Robert H. Pinner of Brawley, Calif., and sent him to Karachi, Pakistan, to be the consulting engineer to the FOA mission on grain storage problems. According to his testimony, Pinner arrived in Karachi, Pakistan, to begin assignment of his duties on May 6, 1954.[16]

BIDDING PROCEDURE OF FOA FOR CONSTRUCTION OF GRAIN ELEVATORS

Invitations to bid were prepared in the FOA mission at Karachi on standard form No. 33, the regular Government form entitled "Invitation, Bid, and Award." The invitation provided for the construction of 3 steel grain elevators of 10,000 tons storage capacity each, so equipped as to provide for aeration, cleaning, drying, and related grain storage facilities.[17] They were to be located at Karachi in west Pakistan, and at Chittagong and Lyallpur, both in east Pakistan.

Mr. Pinner testified that the invitation to bid for the construction of the grain elevators was presented to him at Karachi during the latter part of May 1954. He stated that it was his opinion, and he so expressed himself at that time, that the wording of the invitation to bid was too ambiguous, and that it required the bidder to submit his own design and specifications. He testified that it was his recommendation that the bid invitation be made more specific, including more detailed plans and specifications. Although some minor changes along this line were made, Pinner testified it would have required 3

[15] Pt. 1, p. 54.
[16] Pt. 1, p. 79.
[17] Pt. 1, p. 94, exhibit No. 9.

additional months to draft all the changes he suggested and, therefore, he was overruled by the FOA mission in Pakistan, who felt that this would be an undue delay.[18]

The invitations to bid were sent out under date of June 26, 1954. FOA decided that the bids would be opened at the FOA mission in Karachi, Pakistan, on August 9, 1954, but the actual award of the contract would be made by the FOA headquarters in Washington, D. C. The opening date of the bids was subsequently postponed by FOA, Washington, to August 23, 1954.

ANALYSIS OF THE BIDS BY FOA MISSION IN PAKISTAN AND CHANGE IN SPECIFICATIONS

At the opening of the bids in Karachi, Pakistan, on August 23, 1954, the bid of the Kelvin Engineering Co., of New York, N. Y., was rejected in that it provided for concrete storage tanks rather than steel tanks as described in the specifications.[19] There were five companies whose bids were accepted for consideration. These companies are identified as follows:

Name of company	*Amount of bid*
The Agricultural Construction Co., Los Angeles, Calif	$2, 430, 979. 56
John A. Marshall Co., New Orleans, La	2, 323, 792. 99
Butler International Co., Kansas City, Mo	1, 746, 626. 00
Columbian Steel Tank Co., Kansas City, Mo	1, 448, 917. 40
Black, Sivalls & Bryson, Kansas City, Mo	1, 886, 298. 00

A further breakdown showing the amount bid by each of the competing companies for each specific item in the invitation is exhibit No. 1 set forth as follows:

EXHIBIT No. 1

Item	Description	Agricultural construction Co.	Black, Sivalls & Bryson	John A. Marshal	Columbian	Butler
1	Grain storage plant, c. i. f., Karachi	$491, 114. 12	$536, 800	$536, 259. 81	$368, 640. 70	$429, 149
2	1 steel storage building, c. i. f., Karachi	13, 504. 20	17, 662	17, 011. 09	28, 714. 00	9, 478
3	1 10,000-ton grain storage elevator, Lyallpur	460, 950. 51	509, 250	516, 777. 82	359, 173. 00	404, 757
4	1 10,000-ton grain storage elevator, Chittagong	486, 078. 48	539, 440	557, 017. 18	367, 375. 70	426, 050
5	1 steel storage building, Chittagong	13, 504. 70	17, 743	20, 011. 09	28, 714. 00	9, 569
6	1 alternate proposal for installation and service requirement of marine leg, Chittagong	214, 346. 45	200, 458	295, 800. 00	160, 720. 00	159, 884
7	1 diesel electric generator as specified in 1 (L), c. i. f., Karachi	30, 860. 30	64, 945	65, 326. 00	22, 980. 00	29, 035
8	Service requirements for items 1 and 2	186, 911. 00	(1)	70, 583. 34	21, 000. 00	40, 872
9	Service requirements for item 3	184, 454. 00	(1)	68, 423. 33	20, 000. 00	40, 872
10	Service requirements for items 4 and 5	186, 558. 00	(1)	70, 583. 33	21, 000. 00	48, 537
11a	Training	17, 975. 00	(1)	9, 800. 00	5, 000. 00	14, 594
11b	do	17, 975. 00	(1)	9, 800. 00	4, 800. 00	14, 884
11c	do	17, 975. 00	(1)	9, 800. 00	5, 000. 00	17, 404
11d	do	17, 975. 00	(1)	19, 700. 00	7, 000. 00	21, 604
12	1 grain storage operator for 2 years	90, 797. 80	(1)	56, 900. 00	28, 800. 00	79, 647

[1] No bid.

A committee was appointed by the FOA mission to analyze the bids in Karachi, Pakistan, and to make a recommendation as to the awarding of the contract. This committee consisted of Robert H. Pinner, who was acting both as consulting engineer to the FOA and

[18] Pt. 1, pp. 80, 81, 101.
[19] Pt. 1, p. 85.

technical adviser to the Government of Pakistan; Robert Snyder, agriculturist for FOA; and Mohammed Aslam, Director of Procurement for the Ministry of Food and Agriculture of the Government of Pakistan.[20]

Pinner testified that this committee spent the next 3 weeks analyzing the bids.[21] A recommendation was then prepared that the FOA award the contract to the Agricultural Construction Co.

He further testified that during the summer of 1954 he made a survey of grain storage requirements in Pakistan. As a result of this survey and recommendations he made based thereon, the FOA mission and the Pakistan Government decided to eliminate the grain elevator in Lyallpur and to build 2 elevators of 15,000 tons capacity at Karachi and Chittagong. In addition, it was agreed that certain other changes should be made.

These changes agreed on, as a result of Pinner's recommendations, were to be incorporated in the actual construction, but were not included in the original invitation to bid. A list of the 12 items in the original bid invitation, together with what changes, if any, were to be made, is set forth as follows:[22]

Item No. and description	*Recommendation*
1. Grain storage plant, c. i. f. Karachi	Changed from 10,000-ton to 15,000-ton with part of equipment deleted.
2. 1 steel storage building, c. i. f. Karachi	Deleted.
3. 1 10,000-ton grain storage elevator, Lyallpur.	Deleted.
4. 1 10,000-ton grain storage elevator, Chittagong.	Changed from 10,000-ton to 15,000-ton with part of equipment deleted.
5. 1 steel storage building, Chittagong	Deleted.
6. 1 alternate proposal for installation and service requirement of marine leg, Chittagong.	Deleted.
7. 1 diesel-electric generator as specified in 1 (L), c. i. f. Karachi.	Deleted.
8. Service requirements for items 1 and 2	No change for item 1. Deleted for item 2.
9. Service requirements for item 3	Deleted.
10. Service requirements, items 4 and 5	No change for item 4. Deleted for item 5.
11. Training for 4 months	Partly deleted.
12. 1 grain storage operator for 2 years	No change.

Despite the radical change in the contemplated construction and the fact that the Agricultural Construction Co. was the apparent high bidder by almost $1 million,[23] it was recommended the award be made to this firm on the basis of the original bid.

A letter or airgram dated September 14, 1954, was prepared by the FOA mission in Pakistan to transmit to FOA in Washington the bids and related documents. This letter contained the recommendation that the Agricultural Construction Co. be awarded the contract and it also set forth the changes to be made in the construction of the elevators.[24]

TRANSMITTAL OF BIDS TO WASHINGTON

In his testimony, Mr. Pinner stated that the FOA mission in Pakistan wished to expedite the making of the award and the con-

[20] Pt. 1, p. 93.
[21] Pt. 1, p. 92.
[22] Pt. 1, pp. 94, 95.
[23] See p. 2, comment of Senator Karl E. Mundt.
[24] Pt. 2, p. 135.

struction of the grain bins. Nevertheless, he testified he was instructed by the FOA mission in Karachi to bring back personally to the United States the bids of the competing companies as well as the airgram recommending that the Agricultural Construction Co. be awarded the contract.[25]

He testified he left Karachi September 15, 1954, and arrived in Washington, D. C., October 6, 1954. With the concurrence of FOA he flew to Washington by way of California, stopped in Los Angeles and San Diego for about 1 week, and proceeded from California to Washington in his personally owned automobile.[26]

ANALYSIS OF BIDS BY FOA, WASHINGTON

On October 6, 1954, Robert H. Pinner arrived in Washington from Karachi, Pakistan, with the bids and related documents. On that date he discussed the matter with Mr. Howard P. Morrison, Chief, Near East, South Asia and Africa Branch of the Industrial Services Division of the Foreign Operations Administration.[27] Mr. Morrison had been designated by FOA to be the project manager of the Pakistan grain storage project. On reviewing the recommendation of the FOA mission that the contract, which was to be changed to something quite different from what had been bid on originally, be awarded to the Agricultural Construction Co., Mr. Morrison with the approval of his superior officers sent a cablegram to the FOA mission in Pakistan recommending that new invitations to bid be sent out to all bidders.[28]

Within several days a contracting committee was formed at the Washington office of FOA to review the bids and recommend what action should be taken in case the mission did not concur in Morrison's recommendation, which turned out to be the fact. The Contracting Committee appointed an Ad Hoc Review Committee composed of Robert H. Pinner, Howard P. Morrison, and Virgil C. Pettit from the Food and Agriculture Division of FOA. This Review Committee was charged with the responsibility of reviewing and analyzing the bids which had been sent from the FOA mission in Pakistan.[29]

In the analysis of these bids, the Review Committee found that Robert H. Pinner, the consulting engineer, had, in his analysis in Pakistan, decided that only the Agricultural Construction Co. fully met the specifications. In its review, however, the committee found that all five of the bidding companies did substantially comply with the specifications and recommended that, for this reason, all the bids should be considered.[30] Furthermore, the Review Committee pointed out that the invitation to bid specifically stated that the maximum storage tank capacity should be 750 tons, and the Agricultural Construction Co. specifications provided for storage tanks of approximately 960 tons capacity.[31] This committee did, however, decide that the Agricultural Construction Co.'s bid should receive further consideration.[32] Pinner signed the committee report, but he also registered exceptions based on two technicalities.[33]

[25] Pt. 1, p. 102.
[26] Pt. 1, pp. 102-104.
[27] Pt. 1, p. 108.
[28] Pt. 2, p. 243.
[29] Pt. 2, p. 243.
[30] Pt. 1, p. 111; pt. 2, pp. 242, 243.
[31] Pt. 1, pp. 109, 110, exhibit 13; pt. 2, p. 242.
[32] Pt. 1, p. 109, exhibit 13. It is also of interest that although these grain storage elevators were to have a 10,000-ton capacity, the grain storage plant of the Agricultural Construction Co. had 10 tanks of 960-ton capacity each, thus less than 10,000-ton capacity.
[33] Pt. 1, p. 111.

The full Contract Committee concurred in the findings of the Review Committee. It also concurred in the recommendation of the Review Committee that the following procedure be adopted:

Rather than dismiss all bids and send out new invitations, a letter should be sent to the five qualified bidders requesting additional information.[34] The competing companies would be requested to furnish their prices for the new equipment to be added, and their prices for the equipment that was no longer desired would be deducted from their original bid. No company was to be allowed to change its bidding figures on those items which were common to both the 3-elevator project and the 2-elevator project. During part of the month of October 1954 and practically all of the month of November, Mr. Pinner, together with FOA personnel, worked on the preparation of this letter which was to go to the five bidders. A copy of this proposed letter was finally drafted and dated December 1, 1954.[35]

It appeared from the preparation of this letter that the FOA group headed by Howard Morrison was endeavoring to put all of the five companies on an equal basis. Because of the radical changes that had been made in the project it was an effort to take the bids from the field of guesswork as to who was low bidder, and to put them on a basis of factual comparative data.

Not only the contract committee approved this procedure, but it went up through channels of authority and was actually approved by Dr. D. A. FitzGerald, Deputy Director for Operations of the Foreign Operations Administration.[36] However, this letter was never sent out.

1. Mr. Stassen takes personal charge

On December 9, 1954, Mr. Stassen dispatched a memorandum to the heads of various FOA departments stating, "Please hold up any further action of any kind on the Pakistan grain storage matter until I have a chance to personally review it and go into it." [37]

Within the next several days memoranda were prepared by various subordinates of Mr. Stassen to bring him up to date on what had transpired in connection with this matter.

On December 21, 1954, Mr. Stassen received the officials of the Agricultural Construction Co., together with Congressman John Phillips from California, in his office for a conference regarding their bid. These officials included W. G. Herron, chairman of the board; Alfred E. Poulsen, vice president in charge of engineering; Mr. N. P. Van Valkenburgh, president; and Mr. Charles E. Fife of the Consolidated Western Steel Co., Los Angeles.[38] At this meeting Mr. Herron read a prepared statement regarding the history of the Agricultural Construction Co. and outlined the qualifications of its personnel. Mr. Herron described Alfred E. Poulsen, vice president and engineer for the Agricultural Construction Co., as having more than 20 years' experience in designing and fabricating feed-mill and grain-storage plants, insecticide and fertilizer plants, and general processing equipment, stating that Mr. Poulsen had built more than 200 plants in the United States and 10 foreign countries. The officials of the Agricultural Construction Co. emphasized that their bid had been recom-

[34] Pt. 1, p. 111; pt. 2, p. 243.
[35] Pt. 1, p. 113; pt. 2, p. 244.
[36] Pt. 2, p. 244.
[37] Pt. 2, p. 217, exhibit 19.
[38] Consolidated Western Steel planned to prefabricate the steelwork for the Agricultural Construction Co.

mended by the FOA mission in Pakistan, that they had the full backing of the Los Angeles Chamber of Commerce, and that they were ready and eager to negotiate. Governor Stassen promised them an answer within 48 hours.[39]

On the following day, December 22, 1954, Governor Stassen at a meeting of FOA officials announced that a contract would be negotiated with the Agricultural Construction Co.[40] In early January an undated letter to this effect was received by the Agricultural Construction Co. from FOA.[41]

On January 3, 1955, Senator Symington telephoned Mr. Stassen's office asking for the facts relative to a telegram he had received from Missouri protesting the contemplated award of this contract to the high bidder. On January 5, 1955, Senator Symington again called and then wrote Mr. Stassen asking for the facts.[42] Mr. Stassen replied to Senator Symington on January 6, 1955, stating, "I have personally reviewed this case and see no overriding reasons for not following the recommendations of the mission and the participating government in this instance, particularly when we are anxious to get these grain storage plants erected as quickly as possible." [43] Not able to get the complete facts from FOA in this unusual procedure, Senator Symington wrote to Senator McClellan asking for an investigation.

Subsequent developments in FOA are shown by a memorandum dated February 2, 1955, from L. J. Saccio, Deputy General Counsel of FOA, to Mr. Stassen, wherein mention is made of a meeting held in Stassen's office on January 26, 1955.[44] At this meeting Stassen instructed that A. E. Poulsen be contacted and asked to substantiate the statements made by Herron in Stassen's office as to Poulsen's background and experience in the grain storage field; that if a contract was ultimately signed with the Agricultural Construction Co., a satisfactory performance bond should be obtained; that a credit check was to be made on Robert H. Pinner; and that Stassen be furnished the file showing Pinner's background and experience. A decision was also made that an independent engineering firm should evaluate the design and plans submitted by the Agricultural Construction Co. for an opinion as to their soundness, with the understanding that no comparison was desired between the design and plans of the Agricultural Construction Co. and those submitted by the other bidders. Stassen further instructed that he be kept advised of developments and that no final commitment be made without his knowledge.[45]

Relative to Poulsen, Mr. Saccio's memo states:

> Investigation shows that Mr. Poulsen has no formal education as an engineer; [46] he is a registered mechanical engineer under the California law passed in 1947 permitting the registration of working engineers without formal education if they can show 6 years of experience in the field; there are no apparent false statements in his application for registration; he has not "built more than 200 plants in the United States and in 10 foreign countries" as stated to you by Mr. Herron in the presence of Mr. Poulsen; he has been responsible for the design and construction of some 5 plants in this country, at least 2 of which (the others have not been checked) are of the general type and complexity comparable with that of a

[39] Transcript of proceedings of meeting of December 21, 1954, may be found in subcommittee files.
[40] Pt. 1, p. 114; pt. 2, p. 247.
[41] Pt. 2, p. 158.
[42] Pt. 1, p. 117, exhibit 4.
[43] Pt. 1, p. 118, exhibit 5.
[44] Pt. 1, p. 50.
[45] Memorandum of February 2, 1955, from L. J. Saccio to Mr. Harold E. Stassen may be found in subcommittee files.
[46] Mr. Poulsen does hold a B. S. degree in business administration.

grain storage operation; 1 of them (feed storage and processing plant considered more complex than a grain storage plant, photographs attached) involved a total expenditure of $1,250,000; this plant has proved highly satisfactory and has been considered as a model by the people who are presently operating it; the second was a remodeling job which had to be done while the old plant was still in operation; though there were some bugs in this, the work was considered satisfactory.

Mr. Poulsen also had a contract to design and build a grain storage plant in San Salvador. Most of the equipment and materials had been shipped when a revolution intervened. The new administration refused to have the work completed.

There has been one complaint against Mr. Poulsen involving a clay aeration plant which he tried to design and build on his experience in designing and building feed storage plants. According to the principal that contracted for this job, his work was a total loss, a successor engineering firm not being able to salvage anything of his work. (The successor engineering firm confirmed these statements.) The principal of this contract was forced into bankruptcy, involving $180,000.

Mr. David I. Abse, director and general counsel of the Agricultural Construction Co., is quoted by Saccio in his memorandum as saying the company had the necessary financial backing to put up the required performance bond.

With respect to Pinner, Mr. Saccio's memorandum states:

This shows that Mr. Pinner gave Mr. Poulsen as his reference in our checkup of him as an employee of the Ralph M. Parsons Co. (Mr. Poulsen stated to Mr. Dickey that he had recommended Mr. Pinner to the Parsons Co.) From the information in the file, it does not appear that Mr. Pinner has the experience or background of a trained engineer; he took junior college and home courses in engineering; had some experience as a building contractor in the grain storage field.

Mr. Saccio, in his memorandum, also reported to Mr. Stassen on the evaluation of the independent engineers of the Agricultural Construction Co.'s drawings and blueprints, stating:

These engineers reviewed the drawings available and found the functional layout sound; basically meeting the specifications and capable of performing as required. However, they did not consider the design anything unusual, it being an adaptation of a general type of grain storage elevator. They made some suggestions for changes and improvements which are listed in Mr. Bennett's report.

(It is noted the changes and improvements totaled 16.) [47]

Even with the above information in his possession, Mr. Stassen directed a letter to Senator McClellan on March 28, 1955, stating:

We have further reviewed the Pakistan grain storage project and have not found any irregularity or other information which would cause us to do other than proceed with the negotiations of a contract as recommended by our mission in Pakistan.

If your review of the files which we have opened to your committee, and your consideration of other statements have brought any adverse view, I would appreciate being advised, as otherwise we will proceed.[48]

In his initial appearance before the subcommittee on April 6, 1955, however, Mr. Stassen reversed the position he had taken 9 days earlier. He presented a prepared statement to the subcommittee, copies of which he made available to the press, wherein he outlined the background and chain of events in the Pakistan grain storage project. Mr. Stassen spoke of how he held up action on the negotiations when

[47] Pt. 2, p. 281, exhibit No. 25.
[48] Pt. 2, p. 263.

his decision to award the contract to the apparent high bidder was questioned by the chairman of the subcommittee and then stated:

> I have concluded that in view of the entire developments, any action taken favorable to either the California or the Missouri bidder will cause continuing claims of favoritism, or political pressure, or of improper action committed by one section or another of my organization.
>
> Under these circumstances, I have concluded, if the committee has no objection, that the best course for the United States to follow is to now reject all bids, employ a well-qualified, reputable United States engineering firm to restudy the project, and to draw up complete detailed specifications for a revised project.
>
> These revised specifications and detailed designs will then be opened to bids. These bids will then be comparable as they will cover the same specific details and the same design. The delay necessary to consummate this approach, even though undesirable, appears to me preferable to any other course of action available.[49]

Mr. Stassen also testified that investigations by his organization failed to reflect anything improper in the relationship between Pinner and Poulsen [50] and further pointed out that during all the time he had been Director of FOA, there had never been one breath of scandal in the organization.[51]

HISTORY AND ORGANIZATION OF THE AGRICULTURAL CONSTRUCTION CO.

The Agricultural Construction Co. was incorporated in the State of Delaware on August 9, 1954, which was the date originally set for the opening of the bids in Karachi, Pakistan. The officers were as follows:

President	N. P. Van Valkenburgh
Vice president in charge of engineering and director	Alfred E. Poulsen
Vice president and director	William H. Dryden
Secretary and treasurer	Henri Morris
Director and general counsel	David I. Abse
Director	H. J. Reed Barrett
Chairman of the board of directors	W. G. Herron

According to the testimony of Mr. Poulsen before the subcommittee, the purpose of organizing the Agricultural Construction Co. was to bid on grain storage programs and other agricultural programs both domestic and foreign. He testified that the opportunity to bid on the construction of three grain elevators in Pakistan was the thing that inspired the organization of this company.[52] According to the testimony of both Poulsen and W. G. Herron, no stock in the company had been issued, even at the time of the hearings held on April 14, 1955.[53] Mr. Herron testified that he had placed $1,000 in the company treasury and that at no time had the company ever had more than $1,000 in assets to its credit. Mr. Herron also testified that the company was incorporated for the minimum amount permissible, namely, $1,000.[54]

It is noted here that in accordance with the special provisions in the invitation to bid, the Agricultural Construction Co. posted a bid bond in the amount of $200,000 through the Commercial Insurance Co. of Newark, N. J.

There was read into the record at the hearings a letter dated April 11, 1955, from Frank M. Jordan, secretary of state of the State of

[49] Pt. 1, p. 66.
[50] Pt. 1, p. 74.
[51] Pt. 1, p. 87.
[52] Pt. 2, p. 157.
[53] Pt. 2, pp. 179, 188.
[54] Pt. 2, p. 184.

California, to Robert F. Kennedy, chief counsel of the subcommittee, stating that to qualify for the transaction of intrastate business in California a foreign corporation must file with the California secretary of state a certified copy of its articles of incorporation and all amendments thereto, together with a designation of agent for the service of process. The letter further said there was no record of the Agricultural Construction Co. in the files.[55]

POSSIBILITY OF COLLUSION BETWEEN ALFRED E. POULSEN, ENGINEER FOR THE AGRICULTURAL CONSTRUCTION CO., AND ROBERT H. PINNER, CONSULTING ENGINEER FOR FOA

During the course of the investigation, it was developed that Pinner, on his application for a position with the Ralph M. Parsons Co. as a grain storage engineer, had listed Alfred E. Poulsen, vice president in charge of engineering for the Agricultural Construction Co., as one of his references and that Poulsen had recommended Pinner for the position. This fact was known to Mr. Stassen, Director of the Foreign Operations Administration.[56] The application blank (form 57) for Pinner was one of the documents requested from FOA early in the subcommittee's inquiry which request was refused.

In several interviews by members of the subcommittee staff, both Poulsen and Pinner denied that there had ever been any communication between them during the time that the bids in this project were pending. Poulsen denied he even knew Pinner was in Pakistan, and Pinner denied he even knew Poulsen was affiliated with a bidding company until Poulsen showed up in Karachi for the opening of the bids.

Interviews were also conducted by members of the staff with W. G. Herron, David I. Abse, and Miss Henri Morris, all directors and officers of the Agricultural Construction Co. They all denied knowing of any relationship between Pinner and Poulsen during the time that the awarding of the contract in this case was pending and never admitted that they had met Pinner in Los Angeles, Calif., on Pinner's return from Karachi, Pakistan.

Robert H. Pinner, Brawley, Calif., first appeared pursuant to subpena before the subcommittee on April 6, 1955. He was represented by counsel, Mr. Joseph Volpe, 1701 K Street, Washington, D. C., who was also the counsel for the Ralph M. Parsons Co.[57] Pinner testified that he was employed by the Ralph M. Parsons Co. as a grain storage engineer on April 21, 1954, and sent to Pakistan as consulting engineer to FOA on grain-storage problems. In explaining his qualifications, Pinner stated that he had studied engineering at the University of California but did not have a degree.[58] He said, however, he had approximately 15 years of practical experience in the engineering field and had worked on construction of grain elevators and grain-storage plants. He testified he had constructed or designed grain elevators and grain-storage plants as large as, or larger than, the ones to be constructed in Pakistan.[59]

His testimony reveals he was first contacted by the Ralph M. Parsons Co. in December of 1953 when they informed him they needed

[55] Pt. 2, p. 181.
[56] Pt. 1, p. 100.
[57] Pt. 1, p. 76.
[58] Pt. 1, p. 77.
[59] Pt. 1, p. 77.

a grain, storage engineer for overseas duty.[60] In late December of 1953 or early January of 1954 he filed an application for the position, listing as one of his references Alfred E. Poulsen, head of the Alfred E. Poulsen Co., grain milling engineers and contractors.[61] Pinner described his past relationship with Poulsen by stating they had pleasant associations up until about 1950 when he, Pinner, had to sue Poulsen in the Imperial County court of California to recover moneys which Pinner said were due him. A settlement was made out of court, and he recovered about half of the money originally demanded. He testified he had no contacts with Poulsen after that time until he saw Poulsen in Karachi, Pakistan, in August of 1954.[62]

When questioned as to why he listed as a reference on his application for a position a man with whom he was not on friendly terms, Pinner explained that Poulsen was familiar with Pinner's ability as an engineer and he felt that Poulsen would be fair in answering any inquiries by the prospective employer.[63]

Pinner denied that he had any contact whatever with Poulsen between the time he, Pinner, went to work for the Parsons Co. and the time Poulsen arrived in Pakistan. He also denied he had any contact either by telephone, by letter, or in person with Poulsen during the period between April 21, 1954, and the date of Poulsen's arrival in Karachi, Pakistan. He testified there was no exchange of cablegrams between himself and Poulsen during this period and denied there was any exchange of letters during the same period. He said he was surprised when Poulsen arrived in Pakistan and that it was not until then that Pinner had knowledge that the Agricultural Construction Co. or any of its affiliates was interested in the grain storage contracts.[64]

Pinner testified that he first met Mr. Herron, Mr. Abse, and Miss Morris of the Agricultural Construction Co., in Washington, D. C., sometime in October 1954 after his return from Pakistan.[65] He denied that he had ever met any of the employees or officers of the Agricultural Construction Co. when he was in California en route to Washington from Pakistan[66]. Specifically, he denied meeting or arranging to meet Poulsen there.[67]

Pinner testified he never gave any advance information regarding the grain elevators in Pakistan and definitely never informed any of the bidders that there would be but 2 elevators instead of 3.[68]

He denied that he had received any money, gifts, or anything of value, either directly or indirectly, from any of the bidders in this transaction and testified no one had offered or tendered any gifts of money or valuable consideration to him.[69]

According to his testimony, it was the decision of the FOA mission in Pakistan that in view of the urgency of the project, this should be a design bidding situation and not the low-dollar bidding which is generally used.[70]

[60] Pt. 1, p. 77.
[61] Pt. 1, p. 77.
[62] Pt. 1, pp. 78, 92, 97.
[63] Pt. 1, p. 78.
[64] Pt. 1, p. 92.
[65] Pt. 1, p. 98.
[66] Pt. 1, p. 114.
[67] Pt. 1, p. 103.
[68] Pt. 1, p. 96.
[69] Pt. 1, p. 115.
[70] Pt. 1, p. 80.

Relative to the recommendation of the mission that the contract should be awarded to the Agricultural Construction Co., Pinner testified that in his position as consulting engineer he was both an adviser to the FOA mission and to the Government of Pakistan and that it was his recommendation that the Agricultural Construction Co. should be awarded the contract.[71] He stated he thought the Agricultural Construction Co. had the best design of any of the bidders and that is why he recommended that it should receive the award. He stated the bids could not be analyzed on the basis of low-dollar bids, because the companies were each bidding on something different.[72]

In this connection and at the suggestion of Senator Mundt that someone from the General Services Administration be asked for an opinion,[73] Mr. Byron E. Harding, Assistant General Counsel for the General Services Administration, was called before the subcommittee to express an opinion as to whether this is a competitive bid form or a design bid form.

After a review of the bid submitted by the Agricultural Construction Co., Mr. Harding testified that the invitation to bid used by FOA in this case was the standard form used in Government wherein the award is made to the lowest responsible bidder. He explained that under GSA regulations, if the award is not made to the lowest responsible bidder, all of the bids must be rejected and new invitations to bid be sent out. He stated, however, that, under the law governing the Foreign Operations Administration, that organization did have legal authority to follow the procedure that it did of dismissing the low bids and negotiating with the apparent high bidder.

In explaining Government purchasing procedure, Mr. Harding testified the first step is to see if the bid is responsive to the invitation, and in the case of the Agricultural Construction Co the bid appeared to qualify in this respect. The second step is to ascertain if the equipment to be furnished will meet the performance standards set out in the contract. In describing the next step he stated, "We would need to be advised as to whether the bidder was financially responsible and also had the manufacturing capacity, based on experience or whatever it may be, to be able to fill an order of this type in order to establish his responsibility as a bidder."

When asked whether he considered a company with only $1,000 in assets a responsible company for a contract of this importance, he stated he did not and that he did not know anyone who did. Mr. Harding testified that if a Government agency decided to go ahead and negotiate with one bidder, in this case the apparent highest bidder, the least it could do, since the specifications had been changed, would be to let the other competing companies also bid against the revised specifications. It is significant that this was the intention of the Contracting Committee of FOA before Mr. Stassen personally intervened and decided to negotiate with the Agricultural Construction Co. to the exclusion of all other companies.[74]

1. Evidence of possible collusion

As a result of the statements of the Agricultural Construction Co. officials and of Pinner's testimony outlined above, parts of which were

[71] Pt. 1, p. 94.
[72] Pt. 1, p. 84.
[73] Pt. 2, p. 147.
[74] Pt. 2, pp. 236-241.

contradictory to information already developed by the staff of the subcommittee, an investigator was dispatched to the west coast.

Based upon the inquiry in California, subpenas were issued for appearance before the subcommittee for James W. Bryan, who supervised the drawing of plans for the Agricultural Construction Co.'s bid; for Miss Betty Armentrout, secretary to Alfred E. Poulsen; and for Mr. John Fritz, a former employee of Poulsen. Alfred E. Poulsen was served with a subpena duces tecum to appear before the subcommittee and bring copies of all correspondence, cablegrams and other communications between himself and Robert H. Pinner.

Mr. James W. Bryan, works engineer for Top Industries, Inc., Los Angeles, Calif., testified on April 14, 1955, that he had formerly been employed by Minnesota Western Engineering Co. in Los Angeles and that during the summer and autumn of 1954 his office, under the supervision of Mr. Poulsen, had done the preliminary design engineering for the Agricultural Construction Co. on the three grain elevators to be built in Pakistan and had assisted in the preparation of the Agricultural Construction Co.'s bid.[75] Bryan explained that the office of the Minnesota Western Engineering Co. was adjacent to the office of the Alfred E. Poulsen Co. of which Alfred E. Poulsen was the manager. Bryan related that his office commenced the drawings of the plans and specifications for the grain elevators for Poulsen about July 20, 1954, the actual draftsmanship on the drawings being done by John Weber, an employee of Bryan's.[76] Bryan testified that the Agricultural Construction Co. had not yet been organized during the latter part of July when his office was working on the plans and specifications.[77]

During the time that the plans and specifications were being prepared and the design for the elevators was being drawn up, Bryan said he knew there were numerous communications between Alfred E. Poulsen in Los Angeles and Robert H. Pinner, the consulting engineer to the FOA, who was then in Karachi, Pakistan. Bryan testified he saw several letters in Pinner's handwriting to Poulsen and that he knew of a long-distance call between them.[78]

Bryan recalled one letter from Pinner in Pakistan to Poulsen and that the subject matter of this letter had to do with Bryan's electrical estimate covering the diesel generators for the elevators, together with other necessary electrical accessories such as generators, wiring, conduit, and panels. He recalled specifically that in one of Pinner's letters, written in longhand, there was a page, which was more or less charted, suggesting estimated bids for concrete foundations, steel, and electrical equipment. In his work on the design of the elevators he was primarily concerned with the electrical equipment at that particular time and recalled that there was about $75,000 that should be allowed for the electrical installations according to Pinner's letter. Bryan said he was concerned about this, because his estimates were running about $30,000 apiece on the electrical installation and there were 3 elevators.[79]

Bryan was definite as to his recollection of the correspondence between Pinner and Poulsen and testified that Poulsen was basing his

[75] Pt. 2, p. 126.
[76] Pt. 2, pp. 126, 141.
[77] Pt. 2, p. 127.
[78] Pt. 2, pp. 128, 129.
[79] Pt. 2, pp. 129, 130.

actions as to the bid to be submitted to some extent upon the information contained in Pinner's correspondence to him.[80]

Bryan related that the original design prepared by his company was the one which Poulsen took with him to Karachi, Pakistan, with the bid. He testified that when Poulsen returned from Pakistan in September 1954, he was informed by Poulsen that the plans and specifications would have to be changed. Instead of three grain elevators of 10,000 tons capacity each, there would now be only two grain elevators but that the capacity of each would be 15,000 tons. There were other changes to be made in the plans and specifications, and Bryan stated his office went right to work on the new drawings. He recalled there was an urgency about getting the drawings completed because Pinner was expected to be in Los Angeles in early October and Poulsen also intended to go to Washington in early October and would need to take the new plans and specifications with him at that time.[81] Mr. Bryan testified he did not meet Mr. Pinner when Mr. Pinner was in Los Angeles, but he had reason to believe that Poulsen and other members of his staff knew of Pinner's presence there because he, Bryan, at one time saw a note on the door of Poulsen's office which stated "Pinner called" and then listed a telephone number. Bryan recalled the date of this incident as either the last Sunday of September or the first Sunday of October, 1954.[82]

With the original set of drawings and the revised set of drawings, Mr. Bryan, from the witness stand, identified the changes that had been made in the plans and specifications on the instructions of Poulsen after Poulsen returned from Pakistan. In addition to the consolidation of 3 elevators to 2 elevators, he identified the substitution of a belt conveyor for a screw-type conveyor, the deletions of the diesel electric generator, the truck scale, the man lift, the truck hoist, the truck-pit hoppers, the truck-pit building, the truck-pit conveyors, the truck-scale building, the generator building and the bucket elevators and the substitution of a stairway for the man lift.[83]

These were the changes that the FOA mission in Pakistan had recommended in the September 14, 1954 airgram to FOA, Washington, and about which Pinner spoke when he testified that he never informed any of the bidders of the changes in design.[84]

Mr. Bryan testified he did not consider that there was anything unusual in the grain elevator which he designed, that it was more or less a standard, bolted, steel-type grain elevator and that in his considerable experience of preparing bids for Government contracts he believed it was a low-bid competition and that the award would be made to the low-dollar bidder who met the specifications.[85]

According to Bryan's testimony, during the preparation of the plans and specifications the name of Pinner was more or less a byword around the office. From his conversations with Poulsen, and other persons in Poulsen's office, Bryan became aware that Pinner, the engineer assigned to FOA in Pakistan, would be the person who would have the primary say as to who would get the award to build the grain elevators. There was an air of optimism in the office as

[80] Pt. 2, p. 131.
[81] Pt. 2, pp. 131, 134, 136.
[82] Pt. 2, p. 135.
[83] Pt. 2, p. 136.
[84] Pt. 1, pp. 94, 95, 116.
[85] Pt. 2, p. 140.

to the Agricultural Construction Co. receiving the award of the contract, and the indications of it were shown by the amount of money and work being put into the engineering design and preparation of the bid. He stated that he felt that this air of confidence rested on the close personal relationship between Poulsen and Pinner.[86]

Mr. John Fritz, a former employee of Alfred E. Poulsen, was subpenaed to appear before the subcommittee but immediately after his arrival in Washington, he became ill. In lieu of his personal appearance, Mr. Fritz executed a sworn statement stating that he was associated with Poulsen during the summer of 1954, during which time Poulsen was working on a bid to construct grain-storage elevators in Pakistan. Fritz related that during this time he often heard Pinner's name mentioned in conversation between Poulsen and William H. Dryden, also a vice president of the Agricultural Construction Co., and that he saw several handwritten letters from Robert H. Pinner to Poulsen. Fritz also stated he saw a note tacked on the door of the office of the Poulsen Co. written by Robert Vakil, an employee of Poulsen, which note stated that Pinner was in town. He recalled that the incident of the note was some time after Poulsen had returned from Pakistan. Fritz said he disassociated himself with Poulsen, stating the Agricultural Construction Co. deal "did not look good to me." [87]

Miss Betty Armentrout, secretary to Alfred E. Poulsen, appeared before the subcommittee pursuant to subpena, and testified on April 14, 1955 that she had taken in dictation about 5 or 6 letters from Poulsen to Robert H. Pinner, Karachi, Pakistan, and had personally mailed some of these letters. She explained that in connection with her regular office duties she had prepared a separate file folder containing these letters from Poulsen to Pinner. Miss Armentrout recalled that Pinner's letters to Poulsen were handwritten and were usually addressed to Mr. Poulsen personally. Regarding the subject matter of the letters, Miss Armentrout stated that Mr. Poulsen wanted certain things cleared up, that there were discussions of sizes of grain cleaners, of tonnages and other engineering information which she did not understand. She recalled that there were letters about flour mills and different feed mills which she understood were going to be built in Pakistan and that some of the correspondence had to do with other projects in Pakistan than the grain storage projects. Miss Armentrout testified that the Pinner file had been kept in the personal custody of Mr. Poulsen since about July 1954 and that she had not seen the file for several months. She said that she knew of one telephone call placed by Mr. Poulsen to Pinner in Karachi, Pakistan, and she recalled an exchange of cables between Pinner and Poulsen regarding the anticipated phone call.[88]

Alfred E. Poulsen, 684 South June Street, Los Angeles, Calif., appeared before the subcommittee under subpena on April 14, 1955, and testified that he was president of the Poulsen Co. at 2341 East Eighth Street and that the previous address of this company was 4957 West Third Street, both Los Angeles, Calif. Mr. Poulsen said he was also a vice president of the Agricultural Construction Co. in charge of engineering.[89]

[86] Pt. 2, pp. 155, 156.
[87] Pt. 2, pp. 148, 149.
[88] Pt. 2, pp. 149–155.
[89] Pt. 2, pp. 156, 157.

Mr. Poulsen testified he had been acquainted with Robert H. Pinner for many years and was acquainted with Mr. R. T. Pinner, the father of Robert H. Pinner. In his work of constructing different types of plants in Imperial Valley, Calif., he subcontracted some of the construction work on one project to Robert H. Pinner. On this subcontract Pinner exceeded the cost of the original estimate, as a result of which Poulsen refused to pay some $3,000 which Pinner claimed was owed. A suit was threatened but the case was settled out of court, and from about 1949 until the latter part of 1954 Poulsen had no further connection with Pinner.[90]

He said that in the latter part of 1953 or forepart of 1954, Pinner called at his office indicating that he was out of a job and was having domestic difficulties. A month or two subsequent Poulsen received a telephone call from Pinner, wherein Pinner advised he had applied to the Parsons Co. for a position and he had given Poulsen's name as a reference. Poulsen recalled that later he received a letter of inquiry from the Parsons Co. and wrote a favorable letter of recommendation for Pinner.[91]

Subsequently Poulsen received a telephone call from Pinner requesting Poulsen to furnish him some technical literature and Poulsen put together for Pinner some catalogs which he could use for reference. Pinner did not come to the office to pick them up, but Pinner's father picked them up.[92]

Poulsen testified that his next contact with Pinner was on May 17, 1954, when Poulsen received a letter sent from Pinner in Karachi, Pakistan.[93] In this letter Pinner advised him of the proposed construction in Pakistan of three 10,000-ton grain elevators and gave him a general outline of the plans indicating that a headhouse was desired, that there should be 1,500 tons of grain sack storage and the elevators should be able to receive 100 tons on 1 side. Furthermore, the letter said it was desired that the elevators be equipped to receive and ship with grain cleaning and drying facilities. He described this as a personal handwritten letter from Pinner. Poulsen answered the letter and requested more details, such as whether bucket elevators, belt elevators, or junk screw elevators were wanted, and asked Pinner what was preferable relative to the size of tanks. A subsequent letter received from Pinner furnished "yes" or "no" answers to the questions which Poulsen had propounded.[94]

Poulsen said he wrote Pinner again, going into more detail as to the operation of the plant, and asked questions relative to the electrical equipment, as he thought it impractical that the authorities in Pakistan were requiring so much electrical power.[95] Poulsen received another letter from Pinner stating the plants definitely were to be purchased and indicating the amount of money that had been allotted for the project.[96] Poulsen testified all of the correspondence which took place between Pinner and him, including cablegrams, of which he admitted 6 or 7, had to do solely with the question of building grain elevators in Pakistan, with the exception of 1 letter which commented on the type of clothing to be worn in Pakistan.[97]

[90] Pt. 2, pp. 160, 161.
[91] Pt. 1, pp. 119, 120, Exhibit No. 11.
[92] Pt. 2, p. 161.
[93] Pt. 2, pp. 158, 161.
[94] Pt. 2, p. 169.
[95] Pt. 2, p. 170.
[96] Pt. 2, p. 170.
[97] Pt. 2, p. 172.

Poulsen stated that he no longer had any of the communications between Pinner and himself; that he destroyed them when he moved his office December 1, 1954, at which time he also destroyed other papers. He maintained he considered his correspondence with Pinner as personal and therefore did not save it with the other documents which he had in his possession relating to the bid of the Agricultural Construction Co.[98] As to how he could remember the exact date of the first letter, he stated it was because the letter came as a sudden surprise and that he had a favorable impression of when the letter was received.[99]

Poulsen admitted that he was in contact with Pinner in Los Angeles when Pinner stopped there en route from Pakistan to Washington, D. C., in late September 1954. He said he was aware of a note that was placed on the door of his office by one of his employees which had to do with Pinner being in town. Poulsen testified Pinner telephoned him and subsequently contacted him at a Los Angeles hotel where Poulsen was in a meeting of the directors of the Agricultural Construction Co. and employees of Poulsen's organization.

Mr. Poulsen stated that among those present at the meeting were:

N. P. Van Valkenburgh, president
William H. Dryden, vice president
W. G. Herron, chairman of the board
Miss Henri Morris, secretary and member of the board.[100]

Pinner met with Poulsen and the other people, after which Poulsen talked alone to Pinner for about an hour and a half. Poulsen admitted that at the time of this meeting Pinner told him that the Agricultural Construction Co. had been recommended for the contract by the FOA mission in Pakistan and was No. 1 on the list.[101]

Poulsen denied that there was ever any understanding between himself and Pinner with respect to favoring the Agricultural Construction Co. in connection with this transaction. He did, however, venture the suggestion that Pinner may have felt closer to Poulsen and "might be paying back an indebtedness of friendship. I don't know. I feel it was my letter I wrote the Parsons Co. that got him the job."[102] He said he had no way of determining why Pinner wrote him the first letter and stated that they had never discussed it.[103]

When questioned as to when he first knew that the specifications were to be changed from 3 grain elevators to 2, together with certain other deletions and additions from the original bid invitation, Poulsen at first stated he was positive he received this information from Pinner at the time of Pinner's stopover in Los Angeles. However, when it was brought out by the subcommittee that according to Bryan's testimony the plans and specifications for the alterations were already being drawn before Pinner arrived in Los Angeles, and that the date on the plans showed they were finished October 5, 1954, Poulsen changed his testimony by stating he did not know exactly when he received this advance information which none of the other bidders had received.[104]

Poulsen was questioned as to why, during the investigation of this case by the staff of the subcommittee, he had repeatedly denied in

[98] Pt. 2, p. 158.
[99] Pt. 2, p. 183.
[100] Pt. 2, p. 172.
[101] Pt. 2, p. 167.
[102] Pt. 2, pp. 162, 163.
[103] Pt. 2, pp. 162, 163.
[104] Pt. 2, pp. 168, 169.

several separate interviews that Pinner and he had had any communications between them and had even denied knowing that Pinner was in Pakistan until he, Poulsen, arrived there and met him. In explaining his false denials, Poulsen stated to the chairman, "Senator, I said to Mr. Kennedy of the committee when he interrogated me this morning, before I know what I am saying I sit back and listen and I am liable to say anything. I did ask if I was under oath or not under oath." [105]

On April 14, 1955, Pinner advised the members of the subcommittee in public session that parts of his previous testimony had been inaccurate and untrue and therefore he requested an opportunity to reappear and change his previous testimony. Mr. Joseph Volpe, counsel for the Ralph M. Parsons Co., who had appeared as counsel for Pinner on April 6, 1955, informed the subcommittee that in view of Mr. Pinner's desire to change his testimony he, Volpe, could no longer represent Pinner. Volpe explained he was withdrawing because of a possible conflict of interest between his company and Pinner. Accordingly, the chairman gave Mr. Pinner until 2 o'clock on the afternoon of April 15, 1955, to arrange for his own personal counsel and reappear before the subcommittee.[106]

On April 14, 1955, Mr. Hilton C. Smith, vice president of the Ralph M. Parsons Co., directed a letter to Senator McClellan in which he enclosed a copy of a letter of the same date from Mr. Smith to Robert H. Pinner, terminating Pinner's employment as of that date for violating the confidence of the company and for withholding information from the Senate subcommittee.[107]

1. Pinner changes testimony

On Friday, April 15, 1955, Mr. Pinner reappeared before the subcommittee accompanied by his counsel, Isaac N. Groner, Washington, D. C. At this time he testified that he realized he was under oath at the time of his previous testimony; that he realized he was again under oath in his reappearance before the subcommittee; that he desired to change his testimony and requested permission to read a prepared statement.[108]

At this time Senator McClellan informed Pinner:

> The Chair will suggest to you that the Chair and all the committee do not intend to take any advantage of you, sir. And we are giving you the opportunity that you seek and the opportunity to appear under advice of counsel sitting beside you.
>
> The Chair is assuming that your counsel is competent to advise you. But you have apparently testified falsely before this committee and you are given an opportunity to tell the truth. So far as I am concerned it will be the last opportunity you will have before this committee.[109]

In his prepared statement Pinner referred to his previous testimony where he had denied any contacts between 1951 and October 1954 with Mr. Poulsen, except when Poulsen came to Karachi, Pakistan. This denial, he said, was inaccurate. He explained he had called on Poulsen about a month after he had applied for a position with the Parsons Co. He further stated he wrote a letter in longhand to Poulsen about June 15, 1954, on the occasion of his, Pinner's, daughter's birthday.[110] Pinner mentioned that he was divorced from

[105] Pt. 2, p. 162.
[106] Pt. 2, pp. 122-124.
[107] Pt. 2, p. 192.
[108] Pt. 2, pp. 193, 194.
[109] Pt. 2, p. 196.
[110] Pt. 2, pp. 196, 197.

his wife and estranged from his parents and, since Poulsen was well acquainted with Pinner's family, Pinner's contact with Poulsen was a means of keeping in touch with his family, from whom he desired to keep his address a secret.[111] Pinner said his first letter and Poulsen's reply concerned strictly personal matters, but in July he wrote Poulsen directly to obtain some cost data which had to do with a survey he was conducting and was not directly concerned with the Pakistan grain storage project. He told of an exchange of cables in connection with his inquiry for the cost data. In his statement Pinner went on to relate that in July or August he received a phone call from Poulsen, who asked questions about the invitations to bid, and that he answered Poulsen's questions furnishing the same information that he had given Poulsen personally in Karachi and given to representatives of the Butler Manufacturing Co. and the John Marshall Co. He defended his position by stating he felt it was his duty to clarify any ambiguities that any interested party might have seen in the public invitation to bid. During the 2 weeks that Mr. Poulsen was in Karachi, Pinner stated he saw Poulsen along with other representatives of the competing companies and did not treat him any differently than he treated the other representatives. Pinner told in his statement that the only other contact he had with Poulsen before coming to Washington was at a luncheon in Los Angeles, Calif., on September 25, 1954. He recalled there were other people present at the luncheon, including Mr. Herron and Miss Morris of the Agricultural Construction Co. Pinner admitted in his statement that during the course of the luncheon he indicated that, as of that time, the Agricultural Construction Co. was at the top of the list of those recommended. Pinner stated:

> the contacts I had with Mr. Poulsen would, without explaining my domestic problems, understandably lend themselves to a sinister interpretation that was in no sense consistent with the facts, and so I mistakenly decided to deny any contacts.[112]

When asked why he did not notify the officials of the Parsons Co., when he was asked regarding his contacts with Poulsen, Pinner at first said it was because he considered these contacts a "personal matter" but later admitted that he "should have." [113]

Pinner in his testimony recalled that Mr. Morrison of FOA had asked him about any contacts he might have had with Poulsen or other representatives of the Agricultural Construction Co. and that he concealed the fact of his contacts from Mr. Morrison.[114]

In response to specific questions Pinner admitted that he lied while testifying under oath in the previous hearing on April 6, 1955. Specifically, he admitted testifying untruthfully in the following instances:

1. When he stated he did not have contact with Mr. Poulsen between April 21, 1954, and the date Poulsen arrived in Pakistan in August 1954.
2. When he stated he did not contact Poulsen by telephone, letter, or by person during this same period.
3. When he stated he never sent Poulsen any letters during this period.

[111] Pt. 2, pp. 196, 197.
[112] Pt. 2, pp. 197, 198.
[113] Pt. 2, p. 199.
[114] Pt. 2, p. 199.

4. When he testified he did not receive any cablegrams from Poulsen prior to August 15, 1954.

5. When he said he never sent Poulsen any cablegrams.

6. When he testified it was a surprise to him when Poulsen arrived in Pakistan.

7. When he testified that when Poulsen arrived in Pakistan it was the first time he, Pinner, learned that The Agricultural Construction Co. or any of its affiliates were interested in the contract.

8. When he said he had not made any effort to contact Poulsen while he, Pinner, was in California in September 1945.

9. When he testified that he had not talked to Poulsen or communicated with him by letter or telegram during that period between the time Poulsen left Pakistan and before Pinner arrived in California.[115]

In response to further questioning by the subcommittee, Pinner admitted he initiated the correspondence between Poulsen and himself.[116] He further testified that after Poulsen left Karachi, Pakistan, but before Pinner arrived in California, he, Pinner, communicated with Poulsen by letter advising him of the changes that were being made in the project, based upon which Poulsen had new plans and specifications drawn up.[117] Pinner also testified that this was the only reason he communicated with Poulsen at this time, which was contrary to part of his prepared statement. When this discrepancy was called to his attention, Pinner averred that wherever his testimony conflicted with his statement, the testimony was the correct version.[118]

Pinner said that, after the meeting he attended with Poulsen and the other Agricultural Construction Co. officials in Los Angeles, there was a telephone call placed to him at the Parsons Co. office from one of the Kansas City companies which had bid on the project and that, after consulting with one of the officials of the Parsons Co., he refused to take the call.[119]

W. G. Herron, chairman of the board of directors of the Agricultural Construction Co., appeared before the subcommittee on April 14, 1955. He testified that he was at the meeting of the board of directors of the Agricultural Construction Co. in Los Angeles, Calif. when Mr. Pinner appeared before this group and heard either Pinner or Poulsen remark that the Agricultural Construction Co. had a good opportunity to get the contract.[120]

Prior to his appearance before the subcommittee, Herron had twice been interviewed by members of the staff and had denied meeting Pinner in Los Angeles. On both occasions he had stated that the first time he had met Pinner was in Washington after Pinner came back from Pakistan with the bids.

PRESSURE BY AGRICULTURAL CONSTRUCTION CO. OFFICIALS

In his initial appearance before the subcommittee on March 31, 1955, Mr. Howard P. Morrison, of FOA, agreed that the specifications did not provide an adequate basis for comparison to determine which

[115] Pt. 2, pp. 203-205, 211-213.
[116] Pt. 2, p. 215.
[117] Pt. 2, p. 209.
[118] Pt. 2, p. 211.
[119] Pt. 2, p. 221.
[120] Pt. 2, pp. 189-191.

was actually low and that there were always variations in the services.[121]

When Mr. Morrison was recalled to testify on April 14, 1955, he gave to the subcommittee a history of the Pakistan grain project as it had been handled by the FOA Washington office. He related that it had been determined that the five companies who were found to have qualified should be permitted to bid on the changed specifications, that this procedure had been approved by an Ad Hoc Committee, a contract committee, and finally by the Deputy Director of FOA, but that then Mr. Stassen intervened personally and made a decision that the FOA should negotiate only with the Agricultural Construction Co.[122]

Mr. Howard P. Morrison also stated numerous contacts were made with him and other FOA personnel by representatives of the bidding companies who were interested in finding out to whom the contract was to be awarded.[123]

He testified that some time in the autumn of 1954 he was contacted in his office by Mr. W. G. Herron of the Agricultural Construction Co., at which time Herron informed Morrison of the many people in Congress with whom Herron was acquainted and indicated to Morrison that he felt the Agricultural Construction Co. deserved the contract and that unless FOA proceeded with the negotiation, the Agricultural Construction Co. would likely have to "take recourse to the Hill." Morrison stated, "I don't recall whether he specifically told me whether we would have an investigation, but he certainly left that impression in my mind." Morrison testified that he regarded it definitely as an effort to intimidate him and induce him to change his mind. He did not yield to the persuasion and informed Herron that he, Morrison, would be fully prepared to explain any and all actions before anybody who wanted to look into them.

In response to the request of Chairman McClellan in open hearings Mr. Stassen furnished to the subcommittee a copy of a memorandum prepared by Mr. Virgil C. Pettit on October 11, 1954. Mr. Pettit was a member of the review committee which analyzed the bids.

In his memorandum Mr. Pettit mentions that Miss Henri Morris of the Agricultural Construction Co. called him at his home one evening asking to see him then or over the weekend. Not wanting to discuss business away from the office he declined. On October 11 W. G. Herron, David Abse, and Alfred E. Poulsen of the Agricultural Construction Co. called on Pettit at his office and objected very strongly to the contemplated action of FOA, which they had found out from some source, indicating that the bids were being rejected. Pettit's memorandum revealed that for about 2 hours, between threats of action by Congressmen and legal action, they tried to intimidate him.[124]

FURTHER TESTIMONY OF MR. STASSEN

As a result of the testimony of Mr. Bryan, Miss Armentrout, Mr. Pinner, and Mr. Poulsen, Director Stassen was asked by Chairman McClellan if he would again like to appear before the subcommittee.

[121] Pt. 1, p. 20.
[122] Pt. 2, pp. 241-247.
[123] Pt. 2, p. 244.
[124] Pt. 2, p. 253.

Mr. Stassen requested such an opportunity and reappeared on May 3, 1955.[125]

At this time Mr. Stassen called attention to the statement he introduced in his previous appearance before the subcommittee wherein he explained his decision to throw out all bids, hire an engineering firm to prepare detailed plans and specifications, and send out new invitations to bid.[126]

Also at this time he stated that, in view of the information developed by the subcommittee showing, at the very least, favoritism being exercised by Pinner to the advantage of Poulsen and the Agricultural Construction Co., he had now decided that Mr. Pinner or any firm with which he was connected should not be considered eligible to bid on the project, that Mr. Poulsen or any firm with which he had any connection would likewise be considered ineligible, and, furthermore, that the Agricultural Construction Co. would not be considered eligible to bid.[127]

Mr. Stassen admitted that when he directed his letter of March 28, 1955 to Senator McClellan, indicating his intention to proceed with the negotiations with the Agricultural Construction Co., he did have in his possession information reflecting that Poulsen had recommended Pinner for a position with the Parsons Co., but that his investigation, which was still continuing, had failed to reflect anything more serious in the relationship between these two men.[128]

Mr. Stassen suggested to the subcommittee that there might be some unethical activity on the part of Mr. Gideon Hadary of the Columbian Steel Tank Co., the low bidding firm in this competition, and Mr. Howard P. Morrison, of his own organization, and that FOA was conducting an investigation into the matter and would furnish the subcommittee a copy of the report. The investigative report submitted to the subcommittee on November 17, 1955, states there is no evidence to substantiate the implications.[129]

* * * * * * *

On May 25, 1955, copies of the hearings on this case were referred to the Attorney General of the United States for appropriate action as to possible violations of the perjury statute and the statutes having to do with conspiracy to defraud the Government.

CONCLUSIONS

From its investigation the subcommittee concluded that:

1. In the investigation of this case, the subcommittee was hampered by the delaying tactics of Mr. Stassen, Director of the Foreign Operations Administration. He was most uncooperative for a public official, as illustrated by his attempts to hinder and impede the legitimate functions of this subcommittee.

2. There was strong evidence of collusion between the officials of the Agricultural Construction Co., of Los Angeles, Calif., and Robert Pinner, the engineer employed for the FOA to handle the contract for grain bins in Pakistan. As a result, it was originally recommended that the Agricultural Construction Co. be awarded the contract.

[125] Pt. 2, p. 256.
[126] Pt. 2, p. 257.
[127] Pt. 2, p. 257.
[128] Pt. 2, p. 264.
[129] Copy of this report available in the subcommittee files.

3. If it had not been for the investigation conducted by this subcommittee, Harold E. Stassen, Director of FOA, would have made the award of the contract to the Agricultural Construction Co. This investigation, therefore, has effected a substantial savings to the United States Government, possibly amounting to $982,062.16.

4. Mr. Stassen exercised poor judgment and used bad business practice when he indicated as late as March 28, 1955, that he intended to negotiate the contract with the Agricultural Construction Co. At that time he was cognizant that Mr. Poulsen of the Agricultural Construction Co. had recommended Mr. Pinner for the job with FOA; that the Agricultural Construction Co. was the apparent high bidder;* that many major changes had been made in the original invitation to bid; and that his own Ad Hoc Review Committee, Contract Committee, and Deputy Administrator had agreed that Pinner's recommendations should not be followed.

5. The FOA is to be criticized for failing to furnish specific plans and specifications with its original invitation to bid. The ambiguity of the bids as issued caused confusion and misunderstanding and opened the door for possible collusion and favoritism.

6. Mr. Howard P. Morrison and other officials of FOA who opposed awarding the contract to the Agricultural Construction Co. until all qualified bidders had been given an opportunity to compete on the basis of the major changes made in the bid invitation are to be commended for using sound business judgment.

7. FOA is to be criticized for the excessive and unnecessary delay in its handling of this Pakistan grain bin contract where the time element was deemed of such importance. It indicates that the activities of the agency in this matter were inefficiently administered.

8. Mr. Stassen's irresponsible and unsubstantiated implications in open hearing against Mr. Gideon Hadary of the Columbian Steel Tank Co. and certain personnel within his own organization were reprehensible for a high Government official.

RECOMMENDATIONS

The subcommittee makes the following recommendation: The International Cooperation Administration [130] should make a study of the procedures followed by FOA in the handling of contracts and take necessary corrective action to improve economy and efficiency. An effort should be made to eliminate misunderstandings among bidders and avoid the expensive waste of time that occurred in this case. This is important not only for the sake of efficiency, but for the effect that lack of proper procedure can have on our relationship with friendly governments. The following are some specific corrective recommendations:

(1) Wherever possible, contracts should be awarded by competition.

(2) Invitations to bid should be sent out and the contract awarded to the lowest responsible bidder. If there is any other reason for not awarding the contract to the low bidder, then all the bids should be dismissed and new invitations to bid issued.

*See p. 2, comment of Senator Karl E. Mundt.

[130] On July 1, 1955, the Foreign Operations Administration became the International Cooperation Administration of the U. S. Department of State.

(3) If a low dollar competition is not possible, then the reasons therefore should be made public.

(4) Invitations to bid should be sufficiently detailed and clear to prevent misunderstandings by competing bidders.

(5) In submitting invitations to bid, if there are elements such as types of design which will be a controlling factor in the award of a contract, that information should be published and also set forth clearly in the tender.

INDIVIDUAL VIEWS

Senator George H. Bender did not sign the report but submitted his individual views, which are as follows:

"I dissent from the majority report of the subcommittee because I consider it to be inaccurate and unfair. Mr. Stassen is an honorable, capable, and patriotic man, and there is absolutely no evidence to the contrary in the record of the hearing of the subcommittee.

"The record shows that Mr. Stassen stopped the letting of a contract in December 1954 when the first adverse claims were made, and this action on his part was long before this subcommittee first entered the matter on January 11, 1955.

"The record further shows that Mr. Stassen did not enter a contract with any of the bidders, that no commitment of United States funds was made to any of the bidders at any time, and that when the charges and countercharges and the comments of Members of Congress could not be resolved, Mr. Stassen rejected all bids.

"The record further shows that Mr. Stassen's earlier action in asking that negotiations be started with the Agricultural Construction Co. was in accord with the recommendation of the director of the United States operations commission in Pakistan, who was working with the Government of Pakistan and was based on the preference of the design and the machinery proposed by that bidder.

"The record further shows that the bids were not for comparable cost items, that a large item of $720,000 for services and training of Pakistanis was in one bid and not in a proportionate manner included in the so-called low bid and that the machinery and design of each bid was different.

"Mr. Stassen offered his cooperation in his first letter to the subcommittee, the only difficulty arose when he insisted that employees of FOA should have the right of counsel when summoned before the subcommittee investigators and that star chamber sessions should not be held with FOA employees. In this he was right and the subcommittee met his objection in part by permitting private counsel, and when this was done there were no further questions of cooperation between the subcommittee and Mr. Stassen.

"Mr. Stassen told the subcommittee of the investigation of Mr. Hadary, a former FOA employee representing one of the bidders, only in relation to the charges and countercharges that had been made to him by bidders and Congressmen, and he agreed to report the results of this investigation to the subcommittee. Mr. Stassen did not make any charges against Mr. Hadary, as the record of the subcommittee shows. He would have been wrong if he had withheld this phase of the situation from the subcommittee.

"GEORGE H. BENDER."

The members of the Committee on Government Operations, except those who are members of the Senate Permanent Subcommittee on Investigations, did not sit in on the hearings and executive sessions on which the above report was prepared. Under these circumstances, they have taken no part in the preparation and submission of the report, except to authorize its filing as a report made by the subcommittee.

O